

Message Text

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65

ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

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CEA-01 AGR-05 TAR-01 L-03 DODE-00 PRS-01 PA-01 H-02

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R 232109Z JAN 76

FM AMEMBASSY BOGOTA

TO SECSTATE WASHDC 3018

INFO AMEMBASSY CARACAS

AMEMBASSY LA PAZ

AMEMBASSY LIMA

AMEMBASSY QUITO

AMEMBASSYSANTIAGO

AMCONSUL CALI

AMCONSUL MEDELLIN

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E.O. 11652: NA

TAGS: ECIN, ETRD, CO

SUBJECT: COLOMBIA AND THE ANDEAN PACT

1. SUMMARY. COLOMBIA'S OBJECTIVES WITHIN THE ANDEAN PACT ARE CONSISTENT WITH ITS DOMESTIC PRIORITIES. THESE OBJECTIVES HAVE BEEN, AND CONTINUE TO BE: GREATER EMPHASIS ON AGRICULTURAL DEVELOPMENT; REASONABLE PROMPT IMPLEMENTATION OF TRADE LIBERALIZATION POLICIES; FACILITATION OF ROAD AND MARITIME TRANSPORT WITHIN THE REGION; EMPHASIS ON EFFICIENCY IN INDUSTRIALIZATION; AND A COMMON EXTERNAL TARIFF WHICH PERMITS PROTECTION WHERE NECESSARY BUT WHICH ALSO PROMOTES EFFICIENCY AND PRESERVES SOME ADVANTAGE FOR LABOR INTENSIVE INDUSTRIES. THE COLOMBIAN GOVERNMENT

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REMAINS FIRMLY COMMITTED TO THE PACT AND WILL BE

PRAGMATIC IN SEEKING AGREEMENTS IN THE ECONOMIC AREA.
AS AN EXAMPLE, COLOMBIA IS PREPARED TO SUPPORT EFFORTS
TO EXTEND THE DEADLINE FOR IMPLEMENTATION OF THE
COMMON EXTERNAL TARIFF AND AGREEMENT ON SECTORAL PRO-
GRAMS. END SUMMARY.

2. THE RECENT DIFFICULTIES THE ANDEAN PACT COUNTRIES HAVE
EXPERIENCED IN TRYING TO REACH AGREEMENT ON CERTAIN SECTORAL
PROGRAMS, TRADE LIBERALIZATION, THE COMMON EXTERNAL TARIFF, AGRI-
CULTURAL POLICY, AND OTHER MATTERS HAVE SERVED TO
EMPHASIZE THE DIFFICULTY IN RECONCILING
DOMESTIC DEVELOPMENT OBJECTIVES WITH THE BROADER
AND OFTEN LESS PRECISE OBJECTIVES OF THE PACT. IN
SPITE OF THIS DIFFICULTY, THE SITUATION SHOULD
NOT BE REGARDED AS THE BEGINNING OF THE END FOR
THE PACT OR EVEN NECESSARILY AS A SERIOUS SETBACK, AT
LEAST AS FAR AS COLOMBIA IS CONCERNED. THE COLOMBIAN
GOVERNMENT REMAINS COMMITTED TO THE POLITICAL
IMPORTANCE OF THE PACT, AS A COUNTERWEIGHT TO THE
POWER OF THE LARGER COUNTRIES, AND WILL BE PRAGMATIC
IN SEEKING AGREEMENTS IN THE ECONOMIC AREA. AS
MINISTER OF ECONOMIC DEVELOPMENT RAMIREZ OCAMPO ONCE
COMMENTED TO AN EMBASSY OFFICER, " IN ANY DYNAMIC
INSTITUTION, SUCH AS THE ANDEAN PACT, FRICTION AND
PROBLEMS ARE TO BE EXPECTED; INDEED, THE ABSENCE OF
PROBLEMS WOULD INDICATE AN ABSENCE OF PROGRESS".

3. COLOMBIA'S DOMESTIC PRIORITIES, AT LEAST UNDER
THE LOPEZ ADMINISTRATION, ARE HEAVILY ORIENTED TOWARDS
IMPROVING SOCIAL AND ECONOMIC CONDITIONS FOR THE LOWER
50 PERCENT OF THE POPULATION, WITH EMPHASIS ON THE
RURAL POOR. THIS INVOLVES PROGRAMS TO IMPROVE THE
PRODUCTIVITY AND PURCHASING POWER OF THE POOR (NUTRITION,
HEALTH, AGRICULTURAL CREDIT, EDUCATION) COMBINED WITH
TRADITIONAL DEVELOPMENT INFRASTRUCTURE PROJECTS (ROADS,
POWER, TELECOMMUNICATIONS) AND FURTHER COMBINED WITH
EFFORTS TO PROMOTE EFFICIENCY IN THE MODERN SECTOR BY
REDUCING OR REMOVING GOVERNMENT SUBSIDIES. THE
GENERATION OF RURAL AND URBAN EMPLOYMENT OPPORTUNITIES,
THE DIVERSIFICATION AND PROMOTION OF EXPORTS AND A
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DESIRE TO REDUCE DEPENDENCE ON FOREIGN PRIVATE CAPITAL
ARE OTHER IMPORTANT PRIORITIES.

4. WITH THESE DOMESTIC PRIORITIES IN MIND, IT IS NOT
UNUSUAL THAT COLOMBIA'S MAJOR OBJECTIVES IN ANDEAN
PACT NEGOTIATIONS HAVE BEEN AND CONTINUE TO BE:
-GREATER EMPHASIS ON AGRICULTURAL DEVELOPMENT.
COLOMBIA IS HIGHLY INTERESTED IN DEVELOPING AGRICUL-

TURE AND SUPPLYING OTHER COUNTRIES. THIS MEANS A REDUCTION IN INTERNAL TARIFFS FOR PRODUCTS WHICH CAN BE PRODUCED COMPETITIVELY WITHIN THE REGION, A LOW COMMON EXTERNAL TARIFF FOR AGRICULTURAL INPUTS AND PROTECTION AGAINST TARIFF-FREE IMPORTS OF AGRICULTURAL PRODUCTS FROM COUNTRIES OUTSIDE THE REGION.

-REASONABLY PROMPT IMPLEMENTATION OF TRADE LIBERALIZATION POLICIES, WHICH UNTIL NOW HAVE BENEFITTED COLOMBIA THROUGH INCREASED EXPORTS TO OTHER PACT COUNTRIES, PARTICULARLY ECUADOR AND VENEZUELA.

-FACILITATION OF ROAD AND MARITIME TRANSPORT WITHIN THE REGION, IN ORDER TO CAPITALIZE ON COLOMBIA'S UNIQUE GEOGRAPHIC LOCATION AND TO REDUCE THE COSTS OF EXPORTS AND IMPORTS.

-EMPHASIS ON EFFICIENCY IN INDUSTRIALIZATION.

COLOMBIA HAS PASSED THROUGH ITS IMPORT SUBSTITUTION PHASE AND BELIEVES THAT INVESTMENT SHOULD BE CHanneLED INTO PROJECTS WHICH CAN REACH HIGH LEVELS OF EFFICIENCY WITHIN A REASONABLY SHORT PERIOD OF TIME. THIS WILL REQUIRE A CAREFULLY THOUGHT-OUT COMMON EXTERNAL TARIFF POLICY, PERMITTING PROTECTION WHERE NECESSARY, NOT CONTRIBUTING TO INEFFICIENCIES OR CIRCUMVENTION OF THE PROGRAM THROUGH CONTRABAND AND PRESERVING THE ADVANTAGES OF LABOR INTENSIVE INDUSTRIES WHERE THIS IS POSSIBLE. THE GOVERNMENT IS PREPARED TO INVEST IN THOSE PROJECTS WHICH CANNOT BE FUNDED ENTIRELY BY PRIVATE SOURCES. IN ADDITION, SECTORAL ALLOCATIONS TO COLOMBIA SHOULD BE CONSISTENT WITH THE COUNTRY'S SIZE, POPULATION AND MARKET POTENTIAL.

5. FINANCE MINISTER RODRIGO BOTERO HAS NOTED IN CONVERSATIONS WITH THE AMBASSADOR THAT COLOMBIA IS MORE ADVANCED INDUSTRIALLY THAN OTHER PACT COUNTRIES AND IS LIMITED OFFICIAL USE

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HIGHLY INTERESTED IN DEVELOPING ITS AGRICULTURAL POTENTIAL. ON THE OTHER HAND, ACCORDING TO BOTERO, VENEZUELA AND PERU ARE PLACING THE HIGHEST PRIORITY ON INDUSTRIALIZATION ALONG THE IMPORT SUBSTITUTION LINE AND DEVELOPMENT OF BASIC, CAPITAL INTENSIVE INDUSTRIES. FOR THIS REASON, VENEZUELA AND PERU WANT A LONGER PERIOD IN WHICH TO WORK OUT SECTORAL AGREEMENTS, ARE NOT REALLY INTERESTED IN PROVIDING ADVANTAGES TO AGRICULTURE AND ARE SEEKING A HIGH COMMON EXTERNAL TARIFF WITH ITS RESULTANT COST ON EFFICIENCY AND ON COSTS OF INDUSTRIAL AND AGRICULTURAL PRODUCTS THAT DEPEND ON IMPORTED INPUTS.

6. RAMIREZ OCAMPO AND INCOMEX DIRECTOR ALBERTO GALEANO HAVE CONFIRMED TO US THAT THE FOREIGN MINISTERS FROM

THE SIX COUNTRIES WILL MEET IN LATE FEBRUARY TO REVIEW PROBLEMS CONFRONTING THE PACT, ACCORDING TO GALEANO, AGREEMENT TENTATIVELY HAS BEEN REACHED TO EXTEND FOR 18 MONTHS THE PERIOD FOR IMPLEMENTATION OF THE SECTORAL PROGRAMS AND THE COMMON EXTERNAL TARIFF. THE AUTO-MOTIVE SECTORAL AGREEMENT, HOWEVER SHOULD BE APPROVED WITHIN 3-4 MONTHS.

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